

**CALIFORNIA DEPARTMENT OF CHILD SUPPORT SERVICES**

P.O. Box 419064, Rancho Cordova, CA 95741-9064



September 7, 2006

CSSIN LETTER: 06-08

ALL IV-D DIRECTORS  
ALL COUNTY ADMINISTRATIVE OFFICERS  
ALL BOARDS OF SUPERVISORS  
ALL COUNTY AUDITOR CONTROLLERS

Reason for this Transmittal

- ☒ [ X ] State Law or Regulation Change
- ☐ [ ] Federal Law or Regulation Change
- ☐ [ ] Court Order or Settlement Change
- ☐ [ ] Clarification requested by One or More Counties
- ☐ [ ] Initiated by DCSS

**SUBJECT: LOCAL CHILD SUPPORT AGENCY – FINANCIAL CLOSEOUT REPORT**

Pursuant to the Family Code Section 17311, et seq., the Department of Child Support Services (DCSS) has been charged with developing and implementing the activities required for counties to closeout local child support trust funds. This includes procedures to properly transfer all child support collections, obligations, and payments to the state.

CSS Letter 05-32, State Disbursement Unit - Funds Transition Plan, dated November 1, 2005, presented the instructions for all counties to transfer local child support funds to the state, after a county transitioned collection and disbursement activities to the State Disbursement Unit (SDU). This plan referenced a Financial Closeout Report (FCR) which will be due upon completion of the funds transition process, one year after point of transition to the SDU.

The FCR identifies the financial closeout activities to be performed by the Local Child Support Agency (LCSA) in conjunction with the County Auditor Controller. As required by Assembly Bill (AB) 739, the LCSA Director and County Auditor Controller must certify the results of the transition activities in the closeout report. The LCSA's child support trust fund balances must be reduced to a zero (\$0) balance to ensure closeout is in compliance with state law and regulations. Regarding the disposition of pending pre-transition accounts receivables, DCSS is working collaboratively with representatives of the Child Support Directors Association to resolve this issue. The directors will be notified as soon as the resolution is defined.

DCSS remains committed to working with the stakeholders in a continued effort to successfully transfer all child support funds to the state, as required by AB 739. Any comments or questions should be directed to the Office of Audits and Compliance staff assigned to your Wave, as identified in the table below.

Roll Out Schedule	Contact Person	Number	E-mail Address
Waves 1 & 4	Stephen Fullenwider	(916) 464-5365	CCSASFBSB@dcss.ca.gov
Waves 2, 3, 5 & 6	Debbie Richardson	(916) 464-5488	CCSASFBSB@dcss.ca.gov

Sincerely,

o/s/ by Cher Woehl

CHER WOEHL  
Deputy Director

Attachments: Financial Closeout Report.doc  
Closeout Report Attachment A.doc

**CALIFORNIA DEPARTMENT OF CHILD SUPPORT SERVICES**  
**OFFICE OF AUDITS AND COMPLIANCE**  
**AUDITS AND FUNDS TRANSITION UNIT**

**LOCAL CHILD SUPPORT AGENCY FINANCIAL TRUST FUND CLOSEOUT INSTRUCTIONS**

**PURPOSE**

The Department of Child Support Services (Department), Office of Audits and Compliance (OAC) has devised these financial closeout instructions to communicate an effective and efficient closeout process for local child support accounts, which adequately ensures transition of all child support program funds from the Local Child Support Agencies (LCSA) to the state. At completion of the closeout process all local child support accounts will be closed, the state shall be responsible for managing these funds.

**BACKGROUND**

Assembly Bill (AB) 739, Chapter 387, Statutes of 2003, Section 17311.7 states, “(a) Upon the transfer of collection and disbursement activities from each county to the State Disbursement Unit, the auditor and controller of each county shall perform closeout activities as directed by the Department of Child Support Services to ensure accounting for all collections, obligations, and payments. All child support collections remaining undisbursed and interest income earned on these funds shall be transferred to the Department of Child Support Services for deposit in the Child Support Payment Trust Fund. The local child support agency director and auditor controller shall perform these activities based on guidelines provided by the department and shall certify the results of these activities in a report submitted to the department within one year of transfer of collection and distribution functions to the state.”

**RESPONSIBILITY**

- A. Department of Child Support Services, Office of Audits and Compliance, Audit and Funds Transition Section (AFTS). The mission of AFTS is to ensure that the financial management system for the California Child Support Automated System (CCSAS) project is in compliance with Federal and State requirements. To that effect, AFTS is charged with the responsibility to design, develop, and manage the transition of collection and disbursement activities process from the LCSAs to the state, the trust fund closeout process, and the internal control system for the State Disbursement Unit (SDU).  
*(Note: This report does not address the internal control requirements of the SDU.)*

AFTS shall administer these instructions, validate that required activities are performed, and verify that submitted trust fund survey reports and required closeout documentation agree to the LCSA's official accounting records.

- B. Local Child Support Agency. Upon the transfer of collection and disbursement activities from the county to the SDU, each LCSA shall perform transition activities as directed in CSS Letter 05-32, State Disbursement Unit – Funds Transition Plan (FTP), dated

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November 1, 2005. The LCSA shall be responsible for all fiscal reporting according to the requirements of the FTP, and for the transfer of all child support program funds to the State. In addition, to ensure compliance with AB 739 and that proper reconciliation of child support program funds are performed, each LCSA shall complete and submit the Child Support Trust Fund Closeout Report contained in these LCSA Financial Trust Fund Closeout Instructions as Attachment A.

**POLICY**

A. Requirements:

1. Public Law 93-647, Part B (Title IV of the Social Security Act)
2. 45 Code of Federal Regulations 302.20 and 302.85
3. Section 454B of the Social Security Act
4. Personal Responsibility and Work Opportunity Reconciliation Act of 1996
5. Assembly Bill 739, Chapter 387, Statutes of 2003, Section 17311.7
6. Generally Accepted Accounting Principles
7. Generally Accepted Government Auditing Standards

B. Reporting. To ensure that proper reconciliation of child support trust fund accounts take place and all child support program funds are transitioned to the SDU.

The financial closeout process occurs in two stages. The closeout process is initiated on the day that each LCSA transitions to the SDU. The closeout process ends one year after transition to the SDU, at which point each LCSA shall submit the required Child Support Trust Fund Closeout Report.

In addition, counties with a check or warrant stale date greater than 12 months must file the closeout report at one year to certify that all child support funds have been transitioned, with the exception of remaining funds that support the outstanding checks or warrants. Further, each of these counties must provide a monthly addendum to the financial closeout report documenting stale dated checks or warrants, along with the supporting child support program funds to the state, as outlined in the FTP.

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- C. Closeout Objectives. The county child support trust fund is considered closed out by the state after all child support program funds are cleared and deposited to Child Support Payment Trust Fund. The objectives are:
1. Verification and mutual agreement on closed status by the LCSA Director and County Auditor Controller.
  2. Confirmation, establishment, and collection of any outstanding obligations.
  3. Verification and adjustment of amounts obligated.
  4. Identification and collection of accounts receivable.
  5. Confirmation of funds transfer.
- D. Procedures. The procedures that follow serve a dual purpose: (1) To adequately ensure that the Department complies with fiscal reporting requirements as outlined in AB 739, and (2) Assist the Department in effectively and efficiently auditing the LCSA's child support trust funds within the required timeframe, as dictated by AB 739. General closeout procedures follow:
1. Prepare Final Closeout Report (See Attachment A)
  2. Document all unreconciled balances.
  3. Prepare Certification Cover Sheet.
  4. Submit the required closeout report and certification cover sheet within the timeframes stated below.
  5. Retain all supporting financial documentation.

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**Closeout Schedule**

County	Last Business Day	SDU Implementation Date	Closeout Report Due Date
Wave 1	10/31/05	11/01/05	12/01/06
Wave 2	12/30/05	01/02/06	02/01/07
Wave 3	01/31/06	02/01/06	03/01/07
Wave 4	02/28/06	03/01/06	04/02/07
Wave 5	03/31/06	04/03/06	05/01/07
Wave 6	04/30/06	05/03/06	06/01/07

- E. Record Retention. Supporting documentation must be retained for either a minimum of four (4) years and four (4) months, or until completion of DCSS closeout audit, or whichever comes last. The LCSAs must retain copies of all Trust Funds Reconciliation Surveys and all supporting documentation, in accordance with the FTP.

# Child Support Trust Fund Closeout Report

Attachment A

CALIFORNIA DEPARTMENT OF CHILD SUPPORT SERVICES  
**TRUST FUND CLOSEOUT REPORT**

**[County Name]**

TRUST FUND ACCOUNT NUMBER:

*Approval of the Trust Fund Closeout Report indicates an understanding and formal agreement that the County's Trust Fund is ready to be closed. By signing this document, each individual agrees all administrative, financial, and logistical aspects of the closeout should be concluded, executed, and documented as described herein.*

Legislation requires the LCSA Director and county Auditor Controller sign the closeout report. The certification language presented below is required in the report signature block. Please insert the correct title for the auditor and controller for your county.

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Certification of Closeout Activities

I, the undersigned, hereby certify that the content of the attached Closeout Activity Report is, to the best of my knowledge, true and correct.

Preparer Name	Title	Signature	Date
Approver Name	Title	Signature	Date
	Director Local Child Support Agency		
	Auditor Controller		

County of \_\_\_\_\_

## Section 1. General Information

<b>County Name</b>			<b>Date</b>
<b>Address</b>			
<b>LCSA Contact</b>	<b>Phone</b>	<b>Email</b>	<b>Fax</b>
<b>LCSA Director</b>	<b>Phone</b>	<b>Email</b>	<b>Fax</b>

## Section 2. Transition Timelines

Respond to each question. For each "no" response, provide an explanation in Open Issues section.

Item	Question	Response
2.1	What date did the County closeout the Child Support Trust Fund? [CSS Letter, 05.32, states in part, "The State Disbursement Unit, Funds Transition Plan (FTP), dated November 2, 2005, mandates that each Local Child Support Agency (LCSA) closeout their child support trust funds within one year of transitioning to the SDU ]	____/____/____
2.2	Upon Closeout, to what month did the LCSA reconcile?	_____
2.3	At point of transition to the SDU did the LCSA stop processing collections that had not already been input to ARS or CASES? If not, please explain.	Yes <input type="checkbox"/> No <input type="checkbox"/>
2.4	Did the LCSA bundle and forward to the SDU, via overnight mail, all collections which were not processed prior to the point of transition?	Yes <input type="checkbox"/> No <input type="checkbox"/>
2.5	During the post transition phase, did the LCSA perform <b>daily</b> fund reconciliations (TF-11 Trust Fund Reconciliation and Funds Reconciliation Survey) of the ARS or CASES daily reports to the DCSS Daily Summary Fund Reconciliation report? If not, please explain what alternative process was used.	Yes <input type="checkbox"/> No <input type="checkbox"/>
2.6	Within 60 days of transition, did the County issue a check or warrant payable to the state for undistributed Collections (UDC,) less the amount of outstanding receivables, along with the appropriate attachment, as required by CSS Letter 05-32, State Disbursement Unit, Funds Transition Plan (FTP), dated November 02, 2005? (See Attachment III for ARS Counties or Attachment IV for CASES Counties.)  If a check was not issued within 60 days, please indicate date issued.	Yes <input type="checkbox"/> No <input type="checkbox"/>  ____/____/____
2.7	During months two through twelve, did the LCSA submit the daily and monthly fund reconciliations to the state?	Yes <input type="checkbox"/> No <input type="checkbox"/>
2.8	Did the County submit the Pre-SDU warrant or check cancellations reports and the associated check or warrant payable to the state?	Yes <input type="checkbox"/> No <input type="checkbox"/>

## Section 3. Welfare Recoupment Checklist

Item	Question	Response
3.1	For the month prior to transition, was a check or warrant issued to DCSS Accounting Section for Welfare Distribution per the CS35?	Yes <input type="checkbox"/> No <input type="checkbox"/>
3.2	As required in the FTP, if a check was not submitted, explain below how those funds were remitted.	

## Section 4. Receivables Checklist

Item	Question	Response
4.1	Does the LCSA have accounting and control procedures in place to effectively record recoveries for pre-SDU receivables? Please provide an explanation below of your process. (Refer to: <b>ARS</b> : NFR369 CP Receivable Listing and NFB379 NCP Receivable Listing. <b>CASES</b> : TF-05 Dishonored Payments A/R, TF-06 Misapplication/Rebatch A/R, TF-07 Negative Tax A/R, and TF-09 Legacy A/R)	Yes <input type="checkbox"/> No <input type="checkbox"/>
4.2	Does the LCSA track post-SDU receivables? If not, explain how the LCSA is able to delineate between pre and post receivables records on the trust fund records.	Yes <input type="checkbox"/> No <input type="checkbox"/>

## Section 5. Pre-SDU Stale Dated Checks/Warrants Checklist

Item	Question	Response
5.1	Are stale dated instructions and timelines in place?  What is the stale date period?	Yes <input type="checkbox"/> No <input type="checkbox"/>  ____/____/____
5.2	If your time period exceeds 180 days, answer the following questions:  1. What process do you have in place?  2. Were procedures in place for monitoring checks payable on automatic distribution that have not been cashed in 180days?	Yes <input type="checkbox"/> No <input type="checkbox"/>

## Section 6. Escheatment Checklist

Item	Question	Response
6.1	Explain procedures utilized to escheat pre-SDU transactions.	
6.2	During months two through twelve, did the LCSA include in the Trust Fund Reconciliation Survey the funds in process for escheatment that have not been transferred to the Child Support/General Fund and have not been abated on the CS356 Administrative Claim? If so, what is the approximate dollar amount?	Yes <input type="checkbox"/> No <input type="checkbox"/>
6.3	Does the County have procedures in place for appropriate authorization of payments to the owner of previously unclaimed funds prior to transition to the SDU? If not, explain a proposed method to refund these monies.	Yes <input type="checkbox"/> No <input type="checkbox"/>

This Section is to be completed by Counties who have not sent their 60 day funds and/or receivables are greater than UDCs.

## Section 7. Undistributed Collections Checklist.

Item	Question	Response
7.1	Does the LCSA have a process in place to manage undistributed collections? Please explain that process.	Yes <input type="checkbox"/> No <input type="checkbox"/>
7.2	Does the County have a system in place to follow-up in a timely manner and to monitor progress in reducing UDC?	Yes <input type="checkbox"/> No <input type="checkbox"/>
7.3	Please identify the components of the UDC amount.	<div></div> <div></div> <div></div> <div></div>

## Section 8. Unreconciled/Unidentified Difference Checklist

Item	Question	Response
8.1	Please indicate the Pre-transition and at closeout unreconciled/unidentified balances.	Pre \$_____ Post \$_____
8.2	Did the County report the unreconciled balances on the Funds Transition Survey?	Yes <input type="checkbox"/> No <input type="checkbox"/>
8.3	Are records and/or documents maintained to support the unresolved differences?	Yes <input type="checkbox"/> No <input type="checkbox"/>

## Section 9. Open Issues

[illegible]

## Section 10. Financial Closeout Worksheet

The Child Support Trust Fund balances must be liquidated and reduced to a zero (\$0) balance. If you have outstanding liabilities or "cash on hand" reported, a revised Trust Fund Reconciliation worksheet must be submitted showing the liabilities liquidated and cash on hand reduced to a zero (\$0) balance before **[Insert Date]**

<b>County Name</b>	<b>Wave</b>	<input type="checkbox"/> Final Trust Fund Closeout
Administrator		<input type="checkbox"/> Revision/Supplemental

**CASH RECONCILIATION**

Category	30 Day	60 Day	Month 6	Month 12	Closeout
Assets (A/ R, Due from other funds, etc.)					
Liabilities & Equity					
Fund Balance					

**RECONCILIATION OF TRUST FUND**

Category	30 Day	60 Day	Month 6	Month 12	Closeout
Fund Balance					
Deposits					
Warrants Issued/Cancellations					
Accounts Receivables:					
Dishonored Payment					
Negative Tax					
Misapplication/Re-Batch					
Cost and/or Fees Due General Fund					
Other Funds Due General Fund					
Pending escheatment					
IRS Collection Fees Due General Fund					
4k/5k Collections due IV-A					
Due Other Agencies					
Pending Welfare Distribution (Pre-SDU)					
Undistributed Collections (Exemptions/Prepays)					
Unpaid Outstanding Warrants/Checks					
Stale Dated					
Unreconciled Difference					
Funds due State DCSS – 60 Day Transition					
Funds due State DCSS – Pre-SDU Warrant Cancellations					
Additional Information (i.e., Pending Adjustments. Other, etc.)					
TOTAL					

